Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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PAGE 01 STATE 238691

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FOR COUNSELOR SONNENFELDT AND ASSISTANT SECRETARY HARTMAN

FOLTEL REPEATED FOR YOUR INFO
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ISLAMABAD FOR THE SECRETARY'S PARTY

E. O. 11652: GDS
TAGS: PFOR, GW, UR, WB
SUBJ: FRG BRIEFING ON SCHMIDT VISIT

1. SUMMARY. FRG MFA STATE SECRETARY GEHLHOFF PROVIDED US FAIRLY COMPLETE RUNDOWN OF SCHMIDT VISIT. ALSO PARTICIPATING IN BRIEFING AT FRG EMBASSY WAS MINISTERIALDIREKTOR IN CHANCELLOR'S OFFICE HISS. IN THE PRIVATE MEETINGS BOTH SCHMIDT AND BREZHNEV EXPRESSED RESOLVE TO CONTINUE RELATIONSHIP ESTABLISHED IN BRANDT ERA. IN GEHLHOFF'S DESCRIPTION, SOVIETS STONE-WALLED FOR TWO DAYS ON BERLIN ASPECTS ON BILATERAL AGREEMENTS, THEN WEDNESDAY MORNING PRODUCED COMPROMISE FORMULA WHICH WOULD PERMIT WEST BERLIN TO PARTICIPATE IN BILATERAL EXCHANGES. CONFIDENTIAL

PAGE 02 STATE 238691

GREATEST MOVEMENT WAS ON SCIENTIFIC-TECHNICAL AGREEMENT, BUT THE GERMANS ALSO NOTED PROGRESS ON CULTURAL EXCHANGE, TOURISM CENTERS, SPORTS EXCHANLES, AND POSSIBLY EVEN LEGAL ASSITANCE. ON THE NUCLEAR POWER PLANT ISSUE, THE SOVIETS ACCEPTED THE PRINCIPLE THAT FOR THE FIRST TIME THERE COULD BE A DIRECT POWER LINE, WITH POWER FLOWING BOTH WAYS, BETWEEN THE FRG

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

AND WEST BERLIN. AS OF THE TIME OF OUR BRIEFING THERE HAS
BEEN NO FINAL AGREEMENT
ON THE POWER PLANT DEAL BUT AGREEMENT
WEDNESDAY WAS CONSIDERED POSSIBLE. THE GERMANS TOOK A HARD
LINE ON CREDITS, TELLING THE SOVIETS THAT THERE WAS NO
POSSIBILITY OF PROVIDING CREDIT FACILITIES OUT OF THE FRG
BUDGET AND THAT THEIR ONLY COURSE WAS TO SEEK CREDITS IN THE
GERMAN MARKET. AN AGREEMENT ON COOPERATION, ALONG THE LINES
OF THE ONE SIGNED DURING THE 1973 BREZHNEV VISIT TO BONN,
IS TO BE SIGNED. OVERALL, GEHLHOFF DESCRIBED THE TALKS AS
NOT UNFIRENDLY BUT NOT VERY FRIENDLY FOR THE FIRST TWO DAYS,
BUT YIELDING DEFINITE PROGRESS WEDNESDAY. END SUMMARY.

2. SCHMIDT MET WITH BREZHNEV FOR ONE HOUR AND 40 MINUTES
MONDAY AFTERNOON, OCTOBER 28. TWO GENERAL STATEMENTS WERE
EXCHANGED. IN A LENGTHY STATEMENT, BREZHNEV DWELT ON THE PAST
HISTORY OF SOVIET-GERMAN RELATIONS AND ON THE TRAGIC EFFECTS
OF WORLD WAR II. HE SAID THAT CURRENTLY BILATERAL RELATIONS ARE
DEVELOPING IN A SATISFACTORY WAY AND THAT THIS SHOULD BE
CONTINUED. BREZHNEV SAID THERE SHOULD BE MORE AGREEMENTS,
BOTH WRITTEN AND IN PRACTICE, TO GIVE PROOF TO THE CONTINUTIY
OF THE BILATERAL RELATIONSHIP. BREZHNEV ALSO ADVOCATED LONG-
TERM ECONOMIC COOPERATION, WITH AGREEMENTS OF 20, 25 OR EVEN
30 YEARS.

3. SCHMIDT IN REPLY ALSO REVIEWED THE PAST HISTORY OF THE
BILATERAL RELATIONSHIP AND NOTED THAT HE WAS IN THE SOVIET
UNION FOR THE THIRD TIME. SCHMIDT MENTIONED THAT THE GERMAN
PEOPLE, TOO, HAD SUFFERED LOSSES IN WORLD WAR II. HE EXPRESSED
HIS RESOLUTION TO CONTINUE THE BRANDT-SCHEEL POLICY. THE
CHANCELLOR STRESSED THE IMPORTANCE OF THE 1970 BILATERAL TREATY
AND OF THE QUADRIPARTITE AGREEMENT OF 1972 AS THE BASIS FOR
THE BILATERAL RELATIONSHIP. HE SAID IT WAS IMPORTANT TO
CONTINUE TO BUILD ON THAT RELATIONSHIP. THE FRG IS INTERESTED
IN ENLARGING TRADE RELATIONS AND ECONOMIC COOPERATION AS A
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CONTRIBUTION TO THE STRENGTHENING OF PEACE. THE FRG IS READY
TO SHARE BREZHNEV'S LONGRANGE VIEWS ON ECONOMIC COOPERATION.
HOWEVER,THE TWO ECONOMIC STRUCTURES ARE DIFFERENT; THERE IS
A FREE MARKET IN THE FRG AND A STRONG PLANNING MECHANISM IN
THE USSR. THE NEED IS TO WORK OUT BETTER MECHANISMS FOR
COTPERATION BETWEEN THE TWO ECONOMIC SYSTEMS.

4. ON TUESDAY MORNING, OCTOBER 29, SCHMIDT MET KOSYGIN
PRINCIPALLY ON ECONOMIC MATTERS AND THE TWO FOREILN MINISTERS
MET PRINCIPALLY ON BILATERAL POLITICAL PROBLEMS. IN HIS
TALK WITH KOSYGIN, SCHMIDT GAVE A FULL EXPLANATION OF FRG
POSSIBILITIES, AS WELL AS INABILITIES, IN PROVIDING CREDITS
FOR THE SOVIET UNION. HE EXPRESSED A DEFINITE INTEREST IN
TRADE AND ECONOMIC COOPERATION AND SAID THERE WERE MANY
POSSIBILITES FOR BIG DEALS. BUT THERE WAS NO POSSIBILITY AT

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

ALL OF PROVIDING CREDIT FACILITIES OUT OF TH FEDERAL BUDGET.
THERE WAS ONLY ONE WAY AT THE SOVIET UNION, AND THAT WAS TO

PROFIT FROM CREDIT FACILITIES EXISTING NORMALLY IN THE GERMAN
MARKET. IF A PRIVATE GERMAN COMPANY REDUCED ITS INTEREST
RATES, GEHLOFF EXPLAINED, THIS MEANT THAT IT WAS ADDING SOMETHING
TO THE PRICE OF THE DEAL.

5. SCHMIDT AND KOSYGIN ALSO DISCUSSED SPECIFIC PROJECTS,
INCLUDING THE DELIVERY OF GERMAN PIPE IN EXCHANGE FOR THE
PURCHASE OF GAS, A THREE-COUNTRY CONRACT FOR THE DELIVERY OFT
GAS FROM IRAN VIA THE SOVIET UNION, AND THE POSSIBILITY OF
DELIVERY OF A NUCLEAR POWER PLANT TO THE USSR. THE GERMANS
CONDITIONED THE NUCLEAR DEAL ON THE NECESSITY FOR THE LINE TO
GO FROM THE USSR VIA THE GDR DIRECTLY THROUGH WEST BERLIN
AN ON TO THE FRG. THE CHANCELLOR INSISTED THAT THE LINE MUST
SERVE WEST BERLIN DIRECTLY WITHOUT GDR INTERFERENCE. MOREOVER,
HE DREW THE SOVIETS' ATTENTION TO THE PROBLEM OF SAFEGUARDS.
THE SOVIET SIDE COUNTERED THAT THE TRANSFORMING STATIONS
SHOULD BE IN THE GDR. THE CHANCELLOR SAID THAT THEY MUST BE
IN WEST BERLIN. IN FACT, THE CHANCELLTR SAID THAT, UNLESS THE
TRANSFORMING STATIONS WERE IN WEST BERLIN AND THE POWER
RAN THROUGH WEST BERLIN DIRECTLY AND NOT VIA A BRANCH LINE
FROM THE GDR TO WEST BERLIN, THERE COULD BE NO AGREEMENT.

IN THE GERMAN VIEW, THE SOVIETS MADE ONE IMPORTANT CONCESSION:
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KOSYGIN ACCEPTED THAT THERE WOULD BE FOR THE FIRST TIME A
DIRECT PWER LINE, WITH POWER FLOWING BOTH WAYS, BETWEEN THE
FRG AND WEST BERLIN. IN OTHER WORDS, IN CASE OF AN INTERRUPTION
OF POWER TRANSMISSION TO WEST BERLIN FROM THE EAST, POWER
COULD FLOW TO WEST BERLIN FROM THE FRG. GEHLOFF SAID THAT
THERE HAD BEEN NO FINAL AGREEMENT ON THE NUCLEAR POWER PLANT
BUT HE THOUGHT AGREEMENT MIGHT STILL BE REACHED WEDNESDAY
AFTERNOON.

6. IN THE GENSCHER-GROMYKO TALKS TUESDAY, CONCENTRATION
CENTERED ON SCIENTIFIC-TECHNICAL COOPERATION, CULTURAL
EXCHANGE, AND THE ESTABLISHMENT OF TOURISM CENTERS. GROMYKO
TOOK A VERY HARD POSITION ON THE BERLIN ASPECTS OF ALL THREE
ISSUES AND THERE WAS NO MOVEMENT ON TUESDAY. ON WEDNESDAY,
HOWEVER, THERE WAS CONSIDERABLE MOVEMENT IN THE GENSCHER-
GROMYKO TALKS, MAINLY WITH REGARD TO THE SCIENTIFIC-TECHNICAL
AGREEMENT. UNTIL THEN THE USSR HAD NOT AGREED TO INCLUDE IN
THE EXCHANGES FEDERAL INSTITUTITIONS AND THEIR EMPLOYEES LOCATED
IN WEST BERLIN. ON WEDNESDAY, HOWEVER, THE USSR OFFERED A
FORMULA WHICH WOULD NOT EXCLUDE PEOPLE FROM TAKING PART IN

THE EXCHANGES BECAUSE OF THEIR RESIDENCE IN WEST BERLIN OR
BECAUSE OF THEIR PROFESSIONAL ACTIVITY. GEHLHOFF DESCRIBED
THIS AS A FORMULA FOR WHICH THE FRG HAD BEEN FIGHTING; NOW

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

IT HAS BEEN ACHIEVED. DESCRIBING HOW IT WOULD WORK, HE SAID THAT, UNDER COVER OF AN OVERALL AGREEMENT, THERE WOULD BE AGREEMENTS ON SPECIFIC MATTERS BETWEEN MINISTIRES IN BONN AND MOSCOW AND THAT RELATED WEST ORLIN INSTITUTIONS (E.G., PUBLIC HEALTH INSTITUTE) WOULD TAKE PART BUT WITH NO PUBLIC ANNOUNCEMENT. THE SOVIETS SAID THAT IF THE FRG EVER ANNOUNCED THAT THE USSR HAD GIVEN IN ON THIS POINT, THE WOULD MAKE A STATEMENT TO THE CONTRARY.

7. THERE WAS ALSO MOVEMENT IN THE GROMYKO-GENSCHER TALKS ON CULTURAL EXCHANGE, TOURISM CENTERS, AND SPORTS EXCHANGES. ON THE LEGAL ASSISTANCE QUESTION, SPECIFICS WERE NOT DISCUSSED BUT THE COMMUNIQUE WILL HAVE BOTH SIDES STATING THAT A POSITIVE RESULT IS POSSIBLE.

8. SCHMIDT ALSO HAD PRIVATE TALKS WITH BREZHNEV TUESDAY AND WEDNESDAY BUT GEHLHOFF WAS NOT YET INFORMED OF THE RESULTS. CONFIDENTIAL

PAGE 05 STATE 238691

INFORMATION ON THIS WILL BE MADE AVAILABLE TO THE U.S. EMBASSY IN BONN.

9. SUMMING UP, GEHLHOFF SAID THAT THE TALKS THE FIRST DAY (MONDAY) WERE NOT UNFRIENDLY BUT NOT VERY FRIENDLY EITHER. THE SOVIETS TRIED TO EXERT CERTAIN PRESSURE ON THE FRG, AND DID THE SAME TUESDAY IN THE GROMYKO-GENSCHER MEETING. BUT ON WEDNESDAY, THERE WAS DEFINITE PROGRESS. GEHLHOFF EXPECTS A LENGTHY COMMUNIQUE TO BE SIGNED AND RELEASED WEDNESDAY AFTERNOON. HE SAID AN AGREEMENT ON COOPERATION, AN ADDITION TO THE MAY 1973 AGREEMENT, WILL ALSO BE SIGNED. THIS DEALS WITH FACILITATING COOPERATION AND CONTACTS BETWEEN INDUSTRIALISTS AND INDUSTRIES OF THE FRG AND COMPETENT AUTHORITIES IN THE USSR, AND SPEAKS OF COOPERATION IN THE EXPLOITATION, PREPARATION, AND DELIVERY OF RAW MATERIALS. HISS, BREAKING IN, DESCRIBED THE AGREEMENT AS A GENERAL FRAMEWORK SIMILARY TO THE ONE SIGNED 18 MONTHS AGO. THE FRG BRIEFERS SAID THAT AN OBSTACLE (UNEXPLAINED) HAD ARISEN IN THIS AGREEMENT BUT THAT IT TOO MAY BE SIGNED WEDNESDAY AFTERNOON.

10. ASKED WHETHER BELIN CAME UP AS A SEPARATE ISSUE, GEHLHOFF SAID THAT OF COURSE IT WAS DISCUSSED IN RELATION TO THE FIVE SPECIFIC ISSUES NOTED ABOVE (SCIENTIFIC-TECHNICAL, CULTURAL EXCHANGE, TOURISM CENTERS, SPORTS ACTIVITIES, AND LEGAL ASSISTANCE). IT ALSO CAME UP IN ITS OWN RIGHT. SCHMIDT EXPLAINED TO BREZHNEV THE IMPORTANCE OF THE BERLIN ISSUE TO THE FRG. THE SOVIETS SAID REPEATEDLY AND STRONGLY THAT THEY WOULD NOT TOLERATE ANY INFRINGEMENT OF THE QA. YET, SAID GEHLHOFF, TODAY THERE WAS REAL PROGRESS LEADING TO A COMPROMISE PERMITTING THE PARTICIPATION OF WEST BERLIN

IN BILATERAL EXCHANGES.

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

11. IN ANSWER TO OUR QUESTION ABOUT BREZHNEV'S ABSENCE FROM THE LUNCH TUESDAY, GEHLHOFF SAID THAT THE ABSENCE IS NOT A SIGN OF STRAIN IN THE RELATIONSHIP. ASKED IF IT MIGHT MEAN THAT BREZHNEV WAS ENGAGED IN A LEADERSHIP MEETING OF SOME SORT, GEHLHOFF SAID HE DID NOT THINK SO BUT ADDED THAT PERHAPS THE SOVIET LEADERSHIP HAD MET LATE INTO MONDAY NIGHT. BREZHNEV TOLD SCHMIDT AFTER THE DINNER MONDAY NIGHT THAT HE WOULD BE WORKING UNTIL AT LEAST TWO IN THE MORNING.
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US Department of State
EO Systematic Review
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